



Legislative Assembly of British Columbia

Final Risk-Based Audit Plan 2015/16 - 2017/18

Finance and Audit Committee Meeting
29 October 2015



Building a better
working world

Legislative Assembly of British Columbia
Finance and Audit Committee Members

Ernst & Young (“EY”) is entering into the second year of a three year Internal Audit service contract, which had started in March 2014.

During July and August 2015, we worked with senior management to revise the rolling three-year risk-based audit plan, (RBAP or “plan”). This plan is presented for your review and approval at the 29 October 2015 meeting for your approval.

We have provided a high level scope description, including background, timing and cost for each of the projects we intend to undertake in 2015/16. We have also provided a summary of potential areas that are on our “watch list” for subsequent years. It is our intention to continuously monitor with management the changing risk profile of the LABC and to update this list accordingly. We will present and obtain your approval for any changes to this list, including timing of when projects are undertaken.

We look forward to meeting with you to discuss the contents of this report and any other internal control matters you consider appropriate.

Yours very truly,

Bill Kessels
Practice Leader Risk Services (BC)



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Executive summary

- ▶ Our activities have been focused on the development of a risk based rolling three-year internal audit plan. Our plan was developed through a review of relevant documentation and interviews with key staff to identify key risks facing LABC.
- ▶ The approach and methodology used to develop the plan is consistent with the Institute of Internal Auditors' standards for the professional practice of internal auditing.
- ▶ The Plan has been developed based on LABC priorities and principle risks as defined by the senior management team. For 2015/16, we propose the following projects for the Finance and Audit Committee's consideration:
 - Review of the telecommunications goods and services contracts
 - Review of information management
 - Risk assessment of IT lifecycle management
 - Follow up on audit recommendations – Management Action Plan (MAP)
- ▶ For subsequent years (2016/17 and 2017/18), we have identified a number of potential projects ("watch list") for consideration.
- ▶ Approval of the Risk-Based Audit Plan for 2015/16 – 2017/18 is requested from the Finance and Audit Committee.



Proposed 2015/16 risk-based audit plan

No	Details	Principal risk theme ¹	Review period			
			Q1	Q2	Q3	Q4
1	Risk based audit plan development	1, 2, 3, 4, 5	√			
2	Review of the telecommunications goods and services contracts	1, 2, 3, 4, 5			√	
3	Review of information management	2, 4			√	√
4	Risk assessment of IT lifecycle management	1, 2, 3				√
5	Follow up on audit recommendations	n/a				√

¹Principal risk themes: (1) Financial; (2) Operational; (3) Strategic; (4) Governance; (5) Reputation



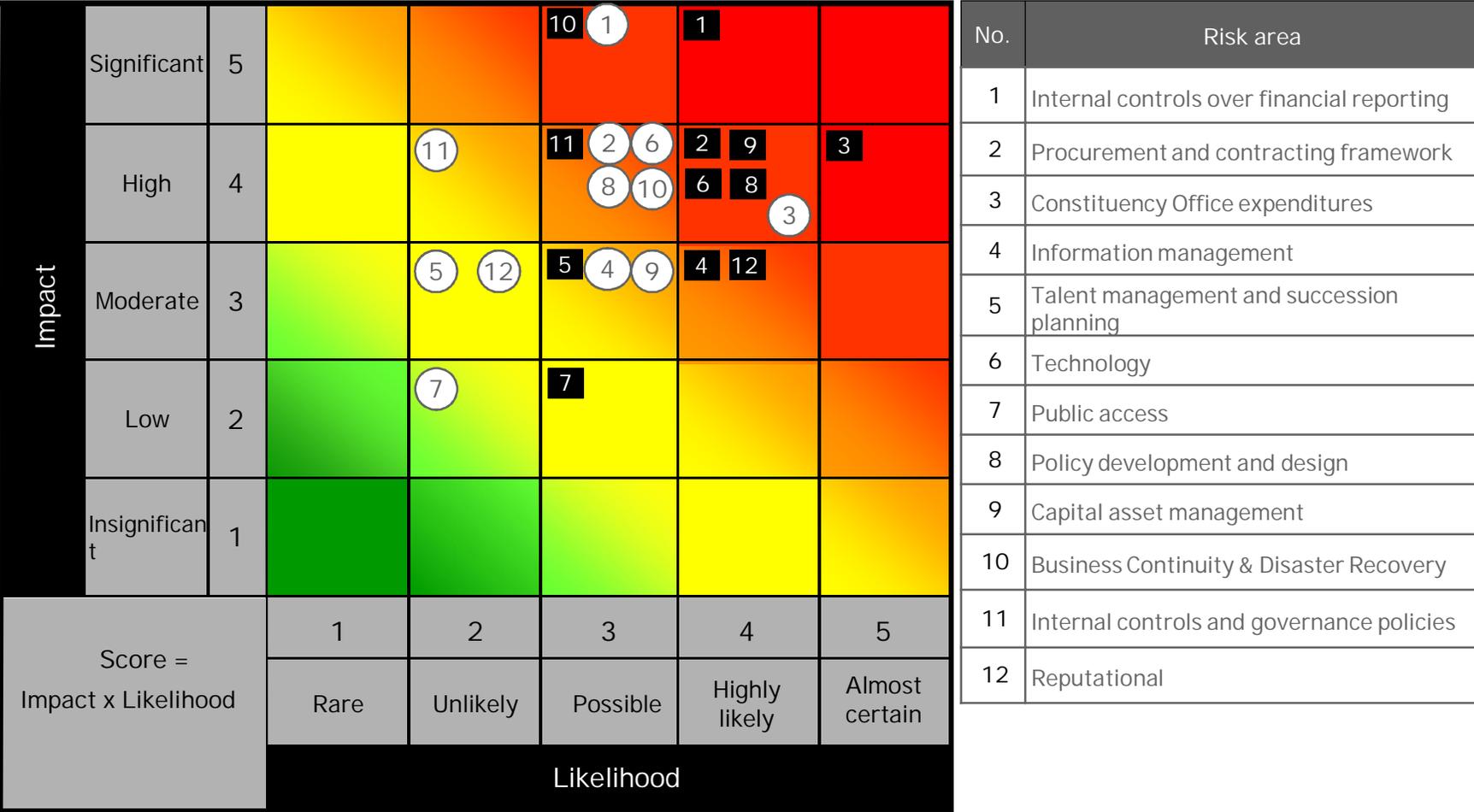
Potential audits (“watch list”) 2016/17 to 2017/18

No	Risk Area	Principal risk theme ¹	Review period	
			2016/17	2017/18
	Risk based audit plan refresh	1, 2, 3, 4, 5	√	√
	Follow up on audit recommendations		√	√
1	Review of business continuity and disaster recovery	2, 3, 4, 5	√	
2	Internal controls over financial reporting effectiveness assessment	1, 2, 4	√	
3	Review of capital planning framework	1, 2, 3, 4	√	
4	Post-implementation review of physical security and public access	2, 5		√
5	Audit of the policy framework	1, 2, 3, 4, 5		√
6	Audit of human resources and succession planning	2, 3, 4		√

¹Principal risk themes: (1) Financial; (2)Operational; (3) Strategic; (4) Governance; (5) Reputation



Key risks - inherent and residual risk profile



Inherent Risk
 Residual Risk



Risk based audit plan development and annual refresh

Background

EY was responsible for developing the rolling three-year risk-based audit plan for the period 2015/16 to 2017/18. The RBAP will be revised formally on an annual basis, as well as informally on an as-needed basis, following the completion of each individual internal audit project and any changes agreed with the Finance and Audit Committee.

We developed our plan in accordance with the Institute of Internal Auditors' (IIA) International Standards.

Some of the key considerations in developing the plan are as follows:

- ▶ LABC strategic goals and initiatives
- ▶ Current and emerging risk areas
- ▶ The need to balance assurance and advisory projects to ensure internal audit is adding value to LABC

Scope

Our approach to developing the Internal Audit plan involved the following key activities:

- ▶ Conducted interviews with members of senior management
- ▶ Assessed the risk profiles, organizational issues, operational priorities, and findings ,and recommendations (from prior audits and other reviews)
- ▶ Applied our risk assessment methodology to determine preliminary inherent and residual risk rating
- ▶ Allocated internal audit resources/activities to highest risk and value areas

Estimated Hours and Fees:

Hours: 60 hours; Fees: \$13,000

Timing

Q1/Q2 2015



2015/16 Proposed projects

Review of the telecommunications goods and services contracts

Background

The Legislative Assembly relies on third-party suppliers for the provision of key goods and services for the organization. The Legislative Assembly is in the process of updating its policy framework, with priority focus on creating an adequate and consistent framework around organizational expenditures. The LABC recently implemented a number of measures to strengthen controls over procurement and contracting, such as the formalization of the Delegated Financial Authority Matrix and the creation of a Qualified Receiver Policy. Additionally, the Financial Services group undertook a comprehensive review in September of 2015 to examine existing processes and controls in order to document current practices and identify areas of improvement.

To build upon this work, the objective of this engagement is to undertake a detailed analysis of the procurement and contracting process for telecommunications goods and services to determine if the LABC is achieving value-for-money based on volume

Scope

The focus of the review will focus on LABC's existing procurement and contracting practices with regard to the initiation and renewal of contracts for telecommunications goods and services.

The review will:

- Analyze historic and current costs of telecommunications goods and services
- Examine the process by which the LABC renews contracts and negotiates lower costs based on factors such as volume of purchasing, loyalty, or reputation as a reliable customer
- Benchmark the LABC's costs against comparable organizations and service providers to identify opportunities to achieve better value-for-money for the organization

Estimated Hours and Fees

Hours: 70 – 80 hours; Fees: \$17,600

Timing

Q3 2015/16



2015/16 Proposed projects

Review of information management

Background

The Legislative Assembly manages a large volume of information across the organization, often using systems that are not functionally integrated and rely on manual procedures to create, store, and dispose of information.

While LABC has some existing policies in place and is continuing to develop more specific guidelines, there is an opportunity to conduct a comprehensive risk assessment of information management across the LABC and identify opportunities for improvement and alignment with leading practices.

The objective of this review is to identify and assess the level of inherent and residual risk associated with LABC's information management practices, including controls in place to address information security and privacy protection, and to identify potential control gaps in supporting policies, processes and procedures.

Scope

The risk assessment will examine LABC's existing information practices related to the creation, retention, and disposal of information, including controls in place to address the security and privacy of information as appropriate. The risk assessment will:

- ▶ Identify and assess the levels of inherent risks to information management, including information security and privacy, and the control efforts in place at the LABC to address these risks, including Constituency Office and Caucus data
- ▶ Review the information management process (focusing on retention and disposal) associated with the election lifecycle
- ▶ Identify best practices and control gaps in the existing processes, and provide recommendations based on both standard and leading practice for public sector and legislative organizations

Estimated Hours and Fees

Hours: 280 - 310 hours; Fees: \$61,200

Timing

Q3/Q4 2015/16



2015/16 Proposed projects

Risk assessment of IT lifecycle management

Background

The LABC is responsible for the provision of IT equipment and support for both the administration and MLAs and their respective constituency assistants, such as computers, laptops, landline telephones and mobile devices. This equipment also undergoes an “evergreening” process to ensure continuity of functionality, and that equipment is able to install and run current operating system and security features.

The LABC does not currently have a formal framework for IT lifecycle management, and there is an opportunity to review the IT lifecycle management processes currently in place and to identify the risks to the processes and efforts in place to mitigate these risks.

Scope

The scope of the risk assessment will be focused on IT Lifecycle Management of equipment centrally provided and paid for by LABC, including the purchasing of equipment, cycle for renewal, and oversight over existing processes. The risk assessment will:

- ▶ Identify existing IT Lifecycle Management processes at the LABC, including the procurement and purchasing of equipment and the renewal cycle
- ▶ Review the consistency and documentation of the renewal process and any difference in process related to the types of equipment
- ▶ Identify risks to IT Lifecycle Management and control gaps to the current process, and make recommendations related to opportunities for improvement or scope of future internal audit review

Estimated Hours and Fees

Hours: 110 - 120 hours; Fees: \$ 26,400

Timing

Q4 2015/16



2015/16 Proposed projects

Follow up on audit recommendations

Background

The Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing require IA departments to have measures in place to ensure effective follow-up on management action plans.

We have allocated time in the Internal Audit plan to evaluate management's action plans (established in response to previous internal audit recommendations) were completed as agreed.

Scope

Annually, EY will reserve a limited number of hours to perform semi-annual update discussions with the process/area owners to validate the status of previous internal audit recommendations.

Development of the approach and inclusion of previous action items will be conducted through interviews and limited documentation review where necessary. We will present a status update to the Finance and Audit Committee at scheduled meetings.

Estimated Hours and Fees

Hours: 10-15 hours; Fees: \$ 2,100

Timing

Q4 2015/16



Resource and cost budget – 2015/16

Work Schedule Details	Hours	Fee (\$)
Audit Program		
<ul style="list-style-type: none"> IA Project 1 – Review of telecommunications goods and services contracts 	70 – 80	\$17,600
<ul style="list-style-type: none"> IA Project 2 – Review of information management 	280 - 300	\$61,200
<ul style="list-style-type: none"> IA Project 3 – Risk assessment of IT lifecycle management 	110 - 120	\$26,400
Agreed audit program budget	460 - 500	\$105,200
Ongoing Internal Audit Requirements		
<ul style="list-style-type: none"> Risk based audit plan development and annual review 	60	\$13,000
<ul style="list-style-type: none"> Follow up on audit recommendations 	10 -15	\$2,100
<ul style="list-style-type: none"> Audit Committee Reporting 	40-50	\$8,000
Total ongoing budget	130-155	\$23,100
Total travel expenses		\$25,000
Total Budget (excl. travel)		\$128,300



Appendix A - Risk rating criteria

- Risks are typically measured in terms of impact and likelihood of occurrence. The ratings for impact and likelihood are based on a five points scale; where five is the highest rating of impact and highest rating for likelihood.

Impact		
Level	Descriptor	Description
1	Insignificant	The consequences would have minimal impact and little level of effort is required to resolve the issue.
2	Low	The consequences would impact the efficiency or effectiveness of some services but would be dealt with internally.
3	Moderate	The consequences would result in difficulty meeting operational requirements and some level of effort is required to resolve the issues.
4	High	The consequences would threaten continued provisions of services and require top level management intervention.
5	Significant	The consequences would results in the inability or major difficulty in meeting operational requirements and significant level of effort is required to resolve the issues.

Likelihood			
Level	Descriptor	Description	Frequency
1	Rare	There is a very remote chance the risk will occur	<10%
2	Unlikely	The risk is unlikely to occur in the next 3 years	<30%
3	Possible	It is possible that the risk could occur in the next 3 years	30%-60%
4	Likely	The risk is likely to occur at least once in the next 3 years	> 60%
5	Almost certain	The risk is expected to occur one or more times in the next three years	> 80%



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